

# The State of Delaware

## Group Health Insurance Plan Long-Term Projection Recast

December 10, 2018

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# GHIP long term health care cost projections

## FY19 Q1 update

- The revised long-term cost projections on the following page reflect updated GHIP claims experience through September 2018
- FY19 GHIP Operating Expenses projected to be \$921.6M, down from \$932.1M as of the FY18 Q4 update
  - Decrease primarily driven by continued favorable claims experience in FY19 Q1, particularly for the medical program
- FY20 GHIP Operating Expenses projected to be \$985.6M, down from \$999.7M as of the FY18 Q4 update, based on 5% health care trend and reflecting the following:
  - \$0.5M estimated savings for the implementation of COE program with SurgeryPlus effective 7/1/2019, based on assumed 10% utilization of COE facilities
  - \$2.4M cost for legislative bills impacting GHIP
- GHIP projected to end FY20 with a \$3.5M surplus, assuming 2% increase in premium contributions effective 7/1/2019, no change to current reserve methodology, and full use of available surplus funding
- Financial Subcommittee will continue to discuss health care trend assumption, reserve methodology, and approach to using available surplus; recommendations to be presented at January SEBC meeting

# GHIP long term health care cost projections (FY19 Q1 update<sup>1</sup>)

Illustrative: Increase premium rates by 2% annually starting in FY20

GHIP Costs (\$ millions)	FY17 Actual	FY18 Actual	FY19 Projected <sup>1</sup>	FY20 Projected <sup>1,6</sup>	FY21 Projected <sup>6</sup>	FY22 Projected <sup>6</sup>	FY23 Projected <sup>6</sup>
Average Enrolled Members	123,132	125,488	125,861	128,308	130,874	133,491	136,161
<b>GHIP Revenue</b>							
Premium Contributions (Increasing with Enrollment) <sup>2</sup>	\$799.0	\$810.9	\$814.8	\$831.1	\$847.7	\$864.7	\$882.0
<i>2.0% Annual Premium Increase Starting FY20</i>	-	-	-	\$16.6	\$33.9	\$52.5	\$72.2
Other Revenues <sup>3</sup>	\$81.6	\$92.1	\$88.6	\$99.3	\$106.3	\$113.8	\$121.9
<b>Total Operating Revenues</b>	<b>\$880.6</b>	<b>\$903.0</b>	<b>\$903.5</b>	<b>\$947.0</b>	<b>\$987.8</b>	<b>\$1,031.0</b>	<b>\$1,076.1</b>
<b>GHIP Expenses (Claims/Fees)</b>							
Operating Expenses (No Change)	\$816.8	\$853.9	\$921.6	\$985.6	\$1,055.6	\$1,130.5	\$1,210.8
<i>% Change Per Member</i>		2.6%	7.4%	4.9%	5.0%	5.0%	5.0%
Excise Tax Liability <sup>4</sup>						\$9.1	\$16.3
<b>Adjusted Net Income (Revenue less Expense)</b>	<b>\$63.8</b>	<b>\$49.1</b>	<b>(\$18.1)</b>	<b>(\$38.6)</b>	<b>(\$67.7)</b>	<b>(\$108.6)</b>	<b>(\$151.0)</b>
Balance Forward	\$38.9	\$102.7	\$151.8	\$133.7	\$95.1	\$27.4	(\$81.2)
Ending Balance	\$102.7	\$151.8	\$133.7	\$95.1	\$27.4	(\$81.2)	(\$232.2)
- Less Claims Liability <sup>5</sup>	\$54.0	\$58.9	\$61.3	\$65.6	\$70.3	\$75.3	\$80.6
- Less Minimum Reserve <sup>5</sup>	\$24.0	\$24.0	\$24.3	\$26.0	\$27.8	\$29.8	\$31.9
<b>GHIP Surplus (After Reserves/Deposits)</b>	<b>\$24.7</b>	<b>\$68.9</b>	<b>\$48.1</b>	<b>\$3.5</b>	<b>(\$70.7)</b>	<b>(\$186.3)</b>	<b>(\$344.7)</b>

Note: FY17 actual based on final June 2017 Fund Equity report; FY18 actual based on final June 2018 Fund Equity report; projected operating expenses based on experience through FY19 Q1; FY19 enrollment as of September 2018; reflects ESI FY17 Q4 restated claims; numbers in table may not add up due to rounding

<sup>1</sup> Includes approved design changes for site-of-care steerage for imaging/outpatient lab and COE services and proposed design changes for \$0 statin coverage and preventive 3D mammography effective 7/1/2018 and implementation of SurgeryPlus COE effective 7/1/2019; includes financial impact of legislative bills impacting GHIP (\$1.2m increase to FY19 budget and \$2.4m increase to FY20 projection); assumes no additional program changes in FY20 and beyond.

<sup>2</sup> Includes State and employee/pensioner premium contributions; assumes 2% annual enrollment growth for FY20-FY23. Note, 2% contribution increase ranges \$6 to \$66 per year for active employees

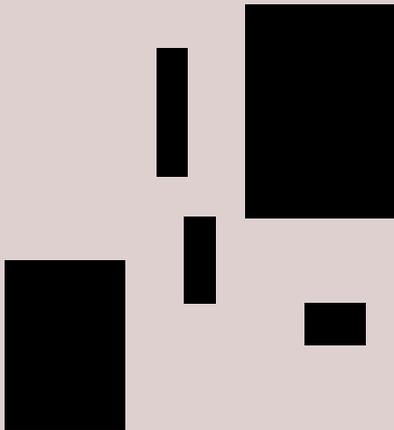
<sup>3</sup> Includes Rx rebates, EGWP payments, other revenues; includes fees for participating non-State groups (assumed to increase proportionally with membership growth and health care trend)

<sup>4</sup> 40% excise tax on the value of employer sponsored health care coverage over specified thresholds starting CY 2022. Threshold assumed to increase at 2% annually

<sup>5</sup> FY19 Claims Liability and FY19 Minimum Reserve levels updated with data through June 2018; future years assumed to increase with overall GHIP expense growth

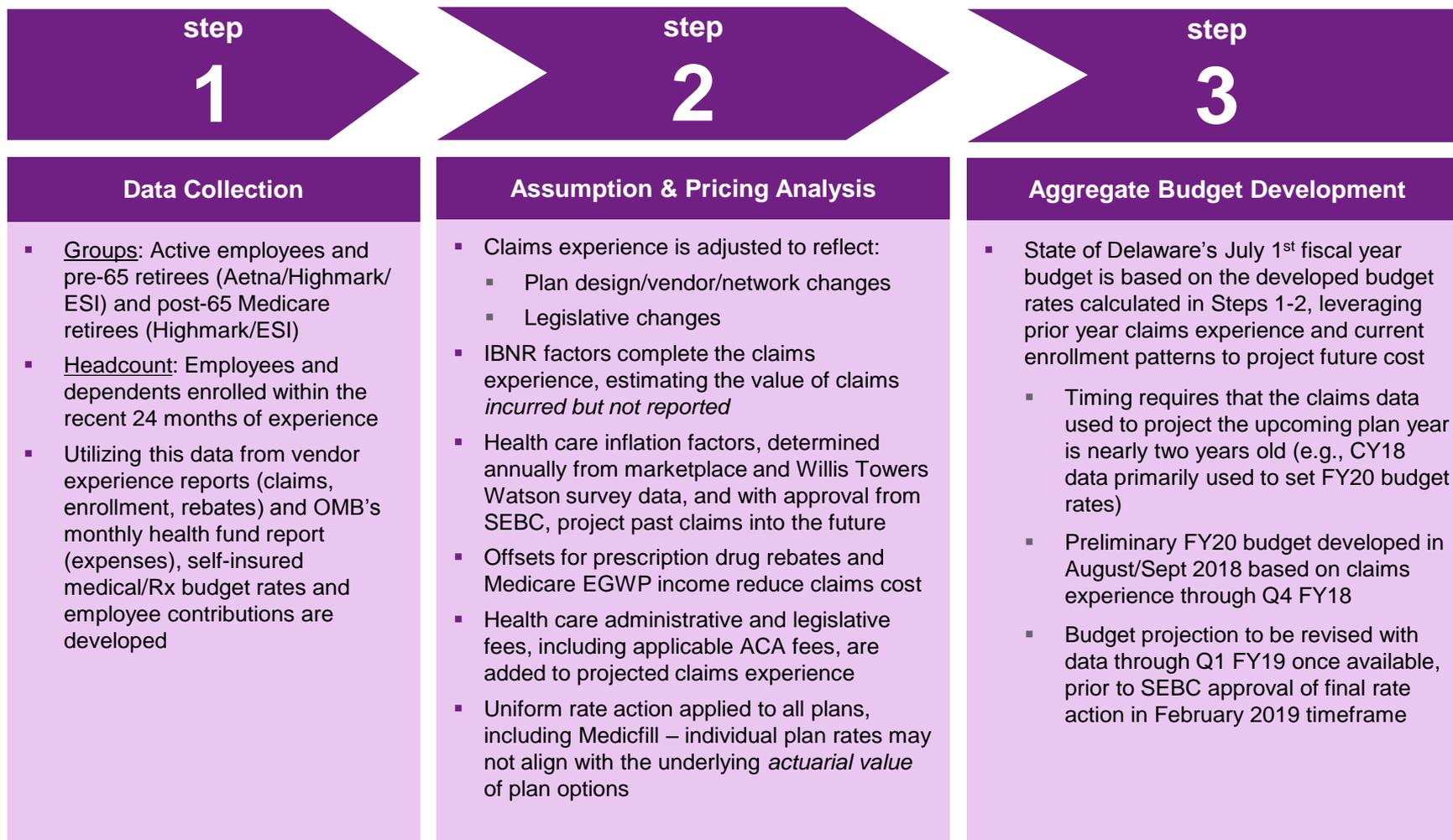
<sup>6</sup> FY20-FY23 projections based on 5% composite trend (assumes 6% underlying trend less 1% for future GHIP cost reduction initiatives); assumes no additional program changes in FY20; assumes 2% annual growth in GHIP membership.

# Appendix



# Health care budget development

## Overview of budget development process



# Health care budget development

## Assumption and pricing analysis details



- **Claims experience** provided by vendors (Highmark, Aetna, and ESI) reflect paid claims and enrollment for the most recent available 24 months, or two experience periods
- Claims experience adjusted for **claim offsets** from pharmacy rebates and EGWP funding
- **Incurred But Not Reported (IBNR)** adjustments convert paid claims to an incurred basis based on the lag between when a claim is incurred and when it is paid
- **Exposure** adjustments convert claims experience into a *per adult* equivalent claims cost
- **Inflation and trend** adjustments increase the claims costs to reflect expected year-over-year increases to the cost of services
- **Plan Design** adjustments applied to the claims costs to reflect any plan design changes or movement across plans, and are based on the relative difference in *actuarial value* of the plans
- **Vendor adjustments** reflect results from medical TPA RFP and other adopted vendor initiatives
- **Self-insured fixed costs** are added to the adjusted claims cost to develop the **total budget**; this includes administrative service fees and operational expenses

WTW projected total budget is based on a best estimate of projected GHIP expenses (claims, fees, etc.) and does not assume any surplus offset or deficit recoup based on current Fund balance

# Monthly rates and employee/retiree contributions with 2% increase

	FY 2019			FY 2020 with 2% Increase			\$ Change Employee/ Pensioner Contribution	
	Rate	Employee Contribution	State Subsidy	Rate	Employee Contribution	State Subsidy	Monthly	Annual
<b>First State Basic</b>								
Employee	\$695.36	\$27.84	\$667.52	\$709.27	\$28.37	\$680.90	\$0.53	\$6.36
Employee + Spouse	\$1,438.68	\$57.52	\$1,381.16	\$1,467.45	\$58.70	\$1,408.75	\$1.18	\$14.16
Employee + Child	\$1,057.02	\$42.26	\$1,014.76	\$1,078.16	\$43.13	\$1,035.03	\$0.87	\$10.44
Family	\$1,798.42	\$71.92	\$1,726.50	\$1,834.39	\$73.37	\$1,761.02	\$1.45	\$17.40
<b>CDH Gold</b>								
Employee	\$719.68	\$35.98	\$683.70	\$734.07	\$36.70	\$697.37	\$0.72	\$8.64
Employee + Spouse	\$1,492.22	\$74.58	\$1,417.64	\$1,522.06	\$76.10	\$1,445.96	\$1.52	\$18.24
Employee + Child	\$1,099.56	\$54.96	\$1,044.60	\$1,121.55	\$56.07	\$1,065.48	\$1.11	\$13.32
Family	\$1,895.74	\$94.78	\$1,800.96	\$1,933.65	\$96.68	\$1,836.97	\$1.90	\$22.80
<b>Aetna HMO</b>								
Employee	\$725.94	\$47.16	\$678.78	\$740.46	\$48.13	\$692.33	\$0.97	\$11.64
Employee + Spouse	\$1,530.58	\$99.50	\$1,431.08	\$1,561.19	\$101.48	\$1,459.71	\$1.98	\$23.76
Employee + Child	\$1,110.52	\$72.18	\$1,038.34	\$1,132.73	\$73.62	\$1,059.11	\$1.44	\$17.28
Family	\$1,909.82	\$124.12	\$1,785.70	\$1,948.02	\$126.63	\$1,821.39	\$2.51	\$30.12
<b>Comprehensive PPO</b>								
Employee	\$793.86	\$105.18	\$688.68	\$809.74	\$107.29	\$702.45	\$2.11	\$25.32
Employee + Spouse	\$1,647.34	\$218.26	\$1,429.08	\$1,680.29	\$222.64	\$1,457.65	\$4.38	\$52.56
Employee + Child	\$1,223.46	\$162.08	\$1,061.38	\$1,247.93	\$165.35	\$1,082.58	\$3.27	\$39.24
Family	\$2,059.40	\$272.86	\$1,786.54	\$2,100.59	\$278.33	\$1,822.26	\$5.47	\$65.64
<b>Port POS</b>								
Employee	\$601.74	\$0.00	\$601.74	\$613.77	\$0.00	\$613.77	\$0.00	\$0.00
Employee + Spouse	\$1,490.58	\$0.00	\$1,490.58	\$1,520.39	\$0.00	\$1,520.39	\$0.00	\$0.00
Employee + Child	\$905.58	\$0.00	\$905.58	\$923.69	\$0.00	\$923.69	\$0.00	\$0.00
Family	\$1,505.40	\$0.00	\$1,505.40	\$1,535.51	\$0.00	\$1,535.51	\$0.00	\$0.00